Eco-Insight

Issue 01
2016

Department of Economics
Jamia Millia Islamia

An Annual Student E-Magazine

Message from Head of the Department

We are proud to share with the readers the very first issue of annual e-magazine of Department of Economics, Jamia Millia Islamia, Eco-Insight 2016, on behalf of the students of the department.

This is a new initiative taken by the students to express their thoughts at this creative platform, especially in the wake of the changing economic scenario in the world. The Magazine proved to be an excellent opportunity for the students to take their learning beyond the classroom.

I hope Eco-Insight engages and inspires the readers. With this, I extend my best wishes to the Editorial Board and congratulate them for their commendable work.

Prof. Shahid Ahmed
Head of Department of Economics
Jamia Millia Islamia

Message from the Editorial Advisor

Welcome readers to the first issue of Eco-Insight, the annual E-Magazine of Department of Economics, Jamia Millia Islamia! Eco-Insight reflects the perceptions on a variety of economic and developments, going on, in the nation as well as at the international level. It is an amalgamation of knowledge and creativity that encourages students to voice their opinion through a unique public space.

In the coming decades, success will demand not only editorial excellence but a commitment to invest and innovate. Eco-Insight provides a platform for future generations to continue their work as enthusiasts.

I congratulate the students for contributing to and putting together this magazine and wish them all the best for future endeavours.

Dr. Saba Ismail
Editorial Advisor & Assistant Professor
Department of Economics
Jamia Millia Islamia

In this issue

Note from the Editors

In a world engaged with laptops and mobile devices for efficient delivery of news and stories, the magazines still are the most beautiful pieces conveying enticing ideas and igniting young minds to think and act. Here, we are all set to bring out the very first issue of our yearly departmental magazine, Eco-Insight.

It took sheer hard work along with immense courage and patience, to present the readers with this magazine. These wings to the dreams are bestowed upon us by Prof Shahid Ahmed, Head of the Department of Economics, and the inspiring and nurturing faculty members, who constantly support us.

What you will find in the pages of our magazine is a collection of didactic and instructive articles written by committed and thoughtful folks of the Department of Economics. Our magazine aims to impart the readers with knowledge and awareness of the subject, veiled in issues ranging from those gaining global importance to those that have been ignored lately.

Magazines are about trust and partnership: We, the editors, will always strive to keep you engaged; you, the readers, are free to engage with us or to reject us.

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Editorial Advisor
Dr. Saba Ismail

Autonomy of the Reserve Bank of India

Azharuddin Ansari
M.A Economics (Batch 2011-13)

The Reserve Bank of India (RBI) isn't a constitutionally independent institution. The 1934 Act governing the Central Bank's operations gives Indian Government the power to direct it and appoint the RBI Governor and his 4 deputies. Over the years, since the RBI has shown track record of credible performance, the successive governments have conferred a large degree of autonomy on the Bank.

However, the recently revised draft of Indian Financial Code (IFC) seeks to compromise with RBI autonomy. The most important provision in the draft is the composition of Monetary Policy Committee (MPC) because majority of its members are proposed to be appointed by the Government of India, without any veto power to the RBI Governor in MPC decisions. Other measures like establishment of an independent public debt management agency, management of capital controlled by the Government and restriction of RBI's role in the payment regulation, non-banking financial institutions and money market, would also affect the RBI autonomy.

Aspects of autonomy

Recent literature focuses on 2 key dimensions of Central Bank independence:

- Goal independence: Ability to choose the policy priorities for setting the goal of a monetary policy.

- Instrument independence: Ability to freely choose the means to achieve the objective set by the Government.

Central Bank independence generally relates to 3 areas:

- Personnel independence: It refers to the extent to which the Government distances itself from appointment, term of office and dismissal procedures of Central Bank officials. It also includes the extent and nature of representation of the Government in the governing body of the Central Bank.

- Financial independence: It relates to the freedom of the Central Bank to decide the extent to which Government expenditure is financed via Central Bank credits.

- Policy independence: It refers to the flexibility given to the Central Bank in the formulation and execution of monetary policy.

Argument in favor of autonomy

The most prominent argument for Central Bank independence is based on the time inconsistency problem. Time inconsistency arises when the best plan currently made for a future period is no longer optimal when that period starts. In the context of monetary policy, this problem arises because there are incentives for a politically motivated policymaker to try to exploit the short run tradeoff between employment and inflation. However, there is no guarantee of a favorable impact.

Arguments against Autonomy

Detractors of autonomy argue that independent Central Bank lacks democratic legitimacy. Further, independence may also leads to frictions between fiscal and monetary authorities inhibiting the development process of the society. Moreover, a difference could arise in the preference pattern of independent Central Banks and the society at large. A strong Central Bank may impose its outlook on society resulting in a sub optimal state in terms of economic welfare.

Conclusion

Government should not dilute RBI's autonomy for the following reasons:

- RBI is a non-partisan and expert body as compared to the Government with partisan interests.
- RBI had done an impeccable job during 2008 financial crisis.
- Public Debt Management Agency should be established under the RBI acting as the sole authority of monetary frameworks. As a banker to the Government, it'll have an extra responsibility with autonomy as regulation and surveillances.

Moody, too, had warned against curbing RBI's autonomy stating that it would severely dent RBI's competency: credibility would be lower, politics would drive the decisions and transparency would be reduced and would weigh against India's economic prospects, particularly financial market stability.

ECOMMERCE TAXATION IN INDIA

Eram Tafsir
M.A(Economics) 2nd year

India has the second largest user base in the world as of Q2 of 2015.With the unprecedented growth in the penetration of e-commerce, the market is expected to breach $100 billion mark by 2020.This growth is due to increasing internet and smart phone penetration, improved logistics efficiency, digital wallet adoption, continued discounting and better execution. The industry is also expected to receive a further boost by Prime Minister's Digital India campaign and Start-up India Campaign.

But despite of the growing e-commerce market, India still lacks appropriate tax and regulatory policies to govern it .The interpretation of intricate tax norms and complex interstate taxation rules lead to difficulty in managing e-commerce operations and staying compliant to laws. The results are difficulty in characterization of income (especially for cloud computing services, database access etc), loss of significant amount of revenue generated through direct and indirect taxes, increase in cost of tax collection and various types of tax-evasion strategies that is being used by many e-commerce companies.

VAT OR SALES TAX ISSUE

Various issues of conflict between the Income Tax Department and e-commerce companies have been reported.In 2015,Kerala state department penalized Flipkart, Snapdealand few other e-retailers for evasion of sales tax in 2012-2014. Although later, the Kerala High Court revoked the state government's orders and brought some relief to the e-retailers who have been target for this controversy. Similarly in 2014, the Karnataka Tax Department had banned Amazon (India) from selling electronics and few other selected products from its warehouses situated in the state. It had cancelled the licenses of about 100 vendors who were selling products through the company's website.

PERMANENT ESTABLISHMENT (PE) ISSUES

According to the OECD model of tax convention, only the profits from PE must be taxed. But, ine-commerce it is tough to determine the existence of a PE due to the intangible nature of transactions.In 2012,the Mumbai Tax Appellate Tribunal declared that EBayInc.does not need to pay any income tax on profits earned from its Indian subsidiaries as it does not have any permanent establishment in India yet.

Even if India proves the existence of PE or its physical nature, it can be taxed only if it is carrying out its core functions and not auxiliaryones likedata gathering, providing link between customer and company, advertising etc.

DIGITAL ECONOMY ISSUES

Taxation laws that worked well earlier have become irrelevant for modern digital companies.There is confusion in deciding how companies like Amazon and Microsoft should be taxed when it sells asoftware, an e-book or a song because it is difficult to categorize it as a good or service. In 2014,Googledeclared that it wasn't liable to payany tax for its internet services as it neither provides any taxable service nor earns income from India nor does it have a permanent establishment in India. It generates huge amount of income through online advertisements and sale of games and applications, neither of which are taxable under current Indian tax regime.

Apart from these issue, it is also tough to charge vat on digital products as for this a country needs to prove that the value addition took place in that country but the e-commerce companies hide the detailed information about the places of value addition.

GST – A POSSIBLE SOLUTION?

The national GST, a consumption based tax, is expected to give a boost to the e-commerce sector and would help address the related challenges. It is designed to remove the trade barriers through a common market in India and to accelerate the country's growth. It is a major regulatory policy that will significantly change the service sector especially logistics, warehousingand transportation sector in India.

The taxable events under the dual GST regime would be significantly different from those prevalent under the existing tax provisions. Also, there will be major differences in the terms of the tax base, tax rates, manner of imposition and collection and therefore, the manner of utilization of input tax credits.

The benefits include:

- GST is expected to resolve many supply chain issues which impact the sector.It will help in free movement of goods across the states, without different taxes.
- Many operational complexities will disappear and customer's experience will improve.
- It will allow retailers to keep their items based on transportation model than a taxation model.
- A GST will reduce prices of products as the tax is charged only on the value addition at each stage rather than on the value of product sold.
- Due to better efficiencies, GST will help reduce retailer's inventory levels and improve product availability.
- Companies can do business easily and their profitability will improve .GST envisages free flow of credit of such taxes andwill lead to a significant reduction in the cost of procurement of goods. By easing regulatory norms, e-commerce companies can improve their profits by over 20% by a cost reduction of mere 2%.
- It will improve tax collection and a single tax system implies increase in no. of tax payers and will give a corruption free tax administration because of its transparency.

Drawbacks include :

- A high GST rates on the suppliers to end consumer could be the only dampener, which giving the price sensitivities, may offset any resultant savings on procurement cost.
- The e-commerce companies may have to track the GST rates for the goods supplied in each of the destination state. Currently, the VAT rates of only the supply states are to be tracked.

WEDDING WEDS ECONOMY

SAMAN AFSHAN
(M.A. ECONOMICS)

With half of India's population under the age of 29 years, the marriage market is set to boom like never before over the next 5 to 7 years and may prolong as far as 2025.

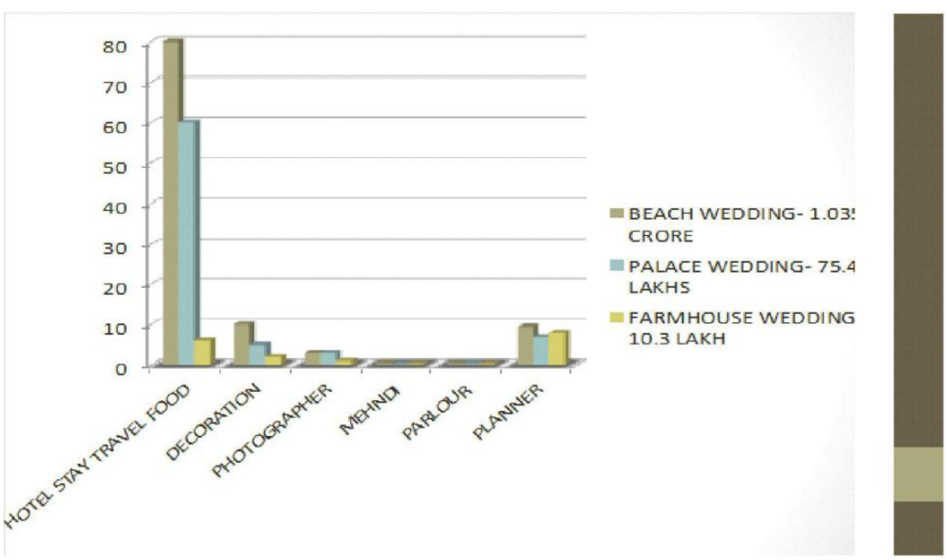
An Indian wedding is a lavish affair. The rising affluence and desire for 'memories with a difference' is making Indians splurge more than ever on weddings. Interestingly, allied industries like beauty and fitness and photography are also benefiting from this surge in spending while exchanging vows.Also, unlike other industries, recession has little effect on the marriage industry. Irrespective of economic downturns, wedding remain a stable business as it is a once-in-a-lifetime event for most people in India.

It is widely known that consumption is going to be a major part of India's GDP, but what is underestimated is how much of that consumption is going to come from marriages. At the top end, the country's marriage spending works out to be 12% of India's GDP (2008) making it the fourth largest contributor to the economy after agriculture, followed by manufacturing sector and the largest contributor, the service sector.At the bottom end, the marriage spend is even bigger than the Finance Minister's stimulus package for a recession-hit economy.

THE WEDDING MARKET

The Markets	Amount spent (in Rupees)
No. of Indian marriages in a year	1,00,00,000 cr.
Indian wedding market worth	100,000 to 210,000 cr.
Gold & Diamond jewellery market	60,000 cr.
Apparel market (wedding)	10,000 cr.
Durable goods market	30,000 cr.
Hotel & other wedding related market	5,000 cr.
Pandal& venue decoration	10,000 cr.
Wedding invitation cards	1,00,000 cr.
TOURISM IS ALSO AFFECTED	
Goa wedding costs	1-2 cr.
Jaipur wedding costs	1-2.5 cr.
Wedding (metropolitan):	23 to 70 lakhs

The concept of "Destination weddings" is a big boost not only to the wedding industry, but also the Tourism industry of our economy.



Currently, the Indian wedding industry is over Rs 100,000 crore and is growing at 25 to 30% annually. The estimated cost of a wedding with no expenses spared could be between Rs 5 lakh to Rs 5 crore, in India.

MONEY GOING TO DIFFERENT SECTORS

Currently, the country has a population of around 1.25 billion and considering an average family with 5 members, there are around 250 million families in India. With about 1 marriage per family every 20 year, an average 30-40 grams of gold is spent in every marriage across the country, making the total consumption of gold between 300-400 tonnes, annually which is a great news for the gems and jewellery industry.

The catch is that we don't stop here, specially our generation. Now, when a wedding is done, the next thing is a brilliantly planned honeymoon (Don't we have to put the pictures up on Facebook and Instagram?). With favourite honeymoon destinations as Goa, Jaipur and Udaipur, a honeymoon package (with air fares) would cost around 1-1.5 lakh. Hence, one can imagine the amount of money which is going in the tourism sector.

THEN AND NOW

While weddings were a simpler affair, about 2 decades back (no concept of wedding planner); economic liberalization and the rise of the middle class have promoted a change in attitudes. In India, the trend of hiring a planner is growing. With most people busy with their careers and the joint family system declining, there is neither time nor the manpower to organise big weddings. The nuclear family system is firmlyestablished now and it is almost impossible for people to make elaborate arrangements for weddings without professional help.

The fee for making weddings memorable is quite steep: wedding planners charge 10% of the wedding budget as consultation fees. This means a Rs. 1 crore wedding will leave the planner richer by Rs. 10 lakhs. While for most upper class people wedding budgets start at Rs. 70-80 lakh, it can go up to even Rs. 10 crore for industrialists and businessmen.

CONCLUSION

Since this industry is emerging as the 4th largest contributor to the GDP of our countryimpacts and is not affected by recession, its impact is greater on our economy.Practically everyone from the rural to the urban sector benefits from this industry

Fire at the Wall (But nobody ran)

Deeksha Gupta
M.A. Economics -1st Semester

The global financial crisis of 2008 is considered to be the worst financial crisis since the Great Depression of the 1930s. It led to millions of people losing their savings, jobs and homes. This crisis, however, was not an accident but a result of an out of control industry.

Post Great Depression, the financial industry was tightly regulated. Regular banks were prohibited from speculating with depositors' savings. The traditional investment banks were small private partnerships, where the partners watched their money on the Wall Street very carefully. In the 1980s, the investment banks went public, giving the banks huge amount of stockholder money and making people on Wall Street rich. In 1982, the savings and loan companies were deregulated, allowing them to make risky investments with their depositors' money. As a result, hundreds of savings and loan companies failed. By the late 1990s, the financial sector consolidated into a few gigantic firms- so big, that if they failed, it would affect the whole world.

The Glass Steagall Act (1933) prevented the banks with consumer deposits to engage in risky investment activities. In 1999, the Gramm-Leach-Bliley Act which repealed the Glass-Steagall Law was passed at the behest of the big banks.It effectively removed the separation that existed between investment banks (which issued securities) and commercial banks (which accepted deposits).It has been proposed that the financial crisis might not have occurred if the Glass S teagall Act was not repealed. To explain this, George Soros (Chairman, Soros Fund Management) gave the Oil-Tanker Metaphor: "Oil tankers have a vast frame- therefore, compartments are put in it to prevent the sloshing of oil from capsizing the boat.After the Depression, regulation introduced the "water-tight" compartments. Deregulation led to the end of "compartmentalisation". Banks originated fraudulent loans and sold them to the customers in the form of securities.

The next crisis came at the end of the 1990s. The massive bubble in the internet stock crashed in 2001. In an investigation, it was found that the investment banks had promoted the internet companies they knew would fail. Companies were being given highest possible rating when they were actually dismissed by analysts as "piece of junk" publically.In their defence, the banks stated that people shouldn't rely on the analysts.

Under the Bush administration, the financial industry was dominated by investment banks (Goldman Sachs, Morgan Stanley, Lehman Brothers, Merrill Lynch and Bear Stearns), financial conglomerates (Citigroup, JP Morgan), securities insurance companies (including AIG-American International Group) and 3 rating agencies (Moody's, S&P and Fitch). Linking them all together was *Securitization Food Chain***.** Under this system, the lenders sold the mortgages to the investment banks that combined thousands of mortgages and other loans to create complex derivatives, called *Collateralised Debt Obligation (CDO).*CDOs were sold by investment bank to the investors all over the world. The banks paid rating agencies to evaluate CDOs: many were given AAA rating. This system was aticking time bomb. From 2000 to 2003, the number of mortgages nearly quadrupled. Nobody in the securitization chain cared about the quality of mortgages, all they cared was maximising their volumes and profits. Thousands of *subprime loans* (considered to be the riskiest loans) were combined to create CDOs. Investment bank preferred subprime loans since they carried higher interest rates. Borrowers were needlessly placed in expensive subprime loans; many given to people who couldn't even repay them.Since anyone could purchase a mortgage, the house prices sky rocketed and the result was the biggest financial bubble in the history. On the Wall Street, the annual cash bonuses spiked and CEOs became enormously wealthy.

Additionally, there was another ticking bomb in the system: American International Group (AIG), the world's largest insurance company, was selling huge quantities of derivatives called *Credit Default Swaps (CDS)* which acted as insurance against bond defaults. For investors who held CDOs and bought CDS from AIG, if the CDOs went bad, AIG would pay the investor for their losses. Similarly, the speculators could also buy CDS from AIG to bet against CDOs they didn't even own. So, for example, under CDS50 people could insure the same house which means if any damage occurs to the house, the number of claimants in the system would be proportionately large. Since CDS was unregulated, AIG didn't put aside any money to cover potential losses and therefore, if any CDO failed, it would be in a tight spot.

By late 2006, Goldman Sachs was not only selling toxic CDOs but had actively started betting against them at the same time. By purchasing CDS from AIG, Goldman could bet against CDOs they didn't own and get paid when CDOs failed. They went even further and started selling CDOs that were specifically designed so that they made more money from the customer losses.Morgan Stanley too was selling the securities it was betting against. The 3 rating agencies: Moody's, Standard&Poor's and Fitch made billions of dollars giving high rating to risky securities. The more structured securities they gave AAA, higher were their earnings.

It would be incorrect to say that no one saw this crisis coming. A number of economists repeatedly sounded warnings about the level of US housing prices. In 2005, Raghuram Rajan (former Chief Economist, IMF) delivered a paper titled "Has Financial Development Made The World Riskier?" in which he argued that the incentives were extremely skewed in the financial sector with huge cash bonuses being created based on short term profits which imposed no penalties for later losses. He further predicted that since banks were holding a portion of the credit securities they created on their books, if those securities ran into trouble, the interbank market could freeze up and one could well have a full blown financial crisis. Two years later, exactly that happened. In 2007, Allan Sloan (former Editor, Fortune) had published an article about CDOs stating that a third of the mortgages had defaulted by then. Charles Morris (former banker) wrote a book titled Two Trillion Dollar Meltdown, warning about the impending crisis. The problem wasn't that no one was warned about the dangers; it was that those who benefited from an overheated economy had little incentive to listen.

By 2008, home foreclosures were skyrocketing and securitisation food chain collapsed. The market for CDOs collapsed leaving investment banks holding billions of dollars in loans, CDOs and real estate they couldn't unload. In March 2008, Bear Sterns ran out of cash and was acquired by JP Morgan Chase. In September 2008, Lehman Brothers announced record losses and its stocks collapsed (ironically, it was given AA within days of failing). AIG, Citigroup, Merrill Lynch all had good investment grading within days of being bankrupt. The Lehman Brothers were forced to go bankrupt. All transactions came to a halt. This caused a collapse in the commercial paper market which many companies depended upon to pay for operating expenses like payroll. They had to lay off employees. The business stopped in tracks. There was a cardiac arrest of global financial system.

Later the Federal Reserve asked Congress to bailout the banks else the alternative would be catastrophic. The world stock markets continued to fall amidst fear that global recession was on the way. The tide of layoff and closures continued. Recession accelerated and spread globally. US consumers cut back on spending and the Chinese manufacturers saw the sales plummet. Over 10 million migrant workers in China lost jobs and exports collapsed.

At the end, the poorest paid the most. The top executives of the insolvent companies, however, walked away with their fortunes intact. The major banks grew in power and doubled their anti-reform efforts. Ever since, academic economists have played a major role in deregulation and in shaping the US government policy.

All was well in the financial system until it turned its back on the society, corrupted the political system and plunged the world into the crisis. While at an enormous cost, disaster has been avoided but the institutions that caused the crisis are still in power. Like geological fault lines, the fissures in the world economic system are more hidden and widespread than we realise. To quote Raghuram Rajan, "While there isn't a sure shot way to fix everything at once, reforms have to be adjusted to see their effects play out in practice. As long as everyone is aware of the problems and work on them, solutions will emerge."

International Migration And Politico-economic Impact Of Current Refugee Crisis

Sarah Kulssoom
M.A(Economics)
Batch 2014

Economics studies the allocation of scarce resources among alternative usages. An economic theory of immigration analyzes the allocation of labor across international boundaries. International migration is attracting attention of both the government in the industrialized countries and of various international agencies.

Individuals make the migration decision considering the value of the various alternatives, and choosing the option which suits them the best, given the financial and legal constraints that regulate the international migration process. There are various types of migrants such as Economic migrants, who migrate usually from periphery to core in search of employment and this is referred to as 'pull migration'. Secondly, political migrants consisting of refugees and asylum seekers, such migration is due to 'push factor' because of the under lying threat of conflict, wars, religious extremism etc. Thirdly, environmental migrants who migrate due to sudden long term changes in their local environment which threatens their livelihood, like droughts, famines, desertification etc, which is again a 'push migration'. Lastly the family reunions, which is a discerned reason for immigration in many countries because of the presence of one or more family members in a certain country enabling the rest of the family to immigrate to that country as well. Neoclassical economics, having a dominant influence on migration policy in many western countries, focuses on individual expectations of higher wages and better economic opportunities in designated areas compared to the place of origin. Growing income and wealth disparities would lead to increased migration in the future.

Most of the countries formulate immigration policies on the basis of immigrant's skills, wealth, occupation, political background and/or family relationships with residents of the host country. All these statutes generate variations in migration costs among different individuals or among individuals originating in different countries. The host countries are like competing with each other, on the basis of kinds of policies or offers they provide to potential migrants. The more lenient policy, the greater is the influx of the migrants, and vice versa. Changes in the levels of economic activity in various countries will also have a major impact on the size and composition of the immigrant flow since these changes basically alter the nature of the "offer" made by competing countries to potential migrants.

Immigration also represents the expansion of the supply of labor in the host country. Reasons to immigrate also include the standard of living not being high enough, the value of wages being low, a slow job market, or lack of educational opportunities. In the long run, excessive immigration will negatively affect the home country by decreasing the population, the level of production, and economic spending. Emigration from poor countries, sending good ideas and hard currency to home can help to make it better but only to a certain point. Big emerging markets such as China, India and Brazil benefit from emigration, but the smallest and poorest nations do not: Haiti, for example, has lost 85% of its educated people.

According to Hicks migration, human capital investment is likely to make higher return and reduce the cost involved. It will mark an increase in the number of migrant workers and profit maximization for firms who hire them. The inflow and outflow of migrant workers will create an imbalance in the political, economic and social spheres of the society. Instead, there is a requirement for the distribution of rights, wealth, employment opportunities and so on.

Migration is an important part of a family and community survival strategy and is shaped by long term considerations of security and sustainability, as well as by the role of remittances and investment opportunities. Also, it is very much prevalent today, in different parts of the world, especially the areas of Iraq, Syria, and Afghanistan etc where people find it highly rational to move from such insecure regions and hopefully reside in some stable destinations. This has given rise to the "*refugee crisis*" that world has witnessed since 1945. Apart from refugees and economic migrants, the figures for asylum seekers have increased invariably.

Migration policies have both economic as well political domains. For example tightening of border control which is the core idea of sovereignty but the contemporary influx of migrants has challenged the existing border control and migration policies. The "selective openness" (where skilled workers are welcomed sometimes even without job offers, whereas unskilled migrants suffer to a great extent) policy of majority of European countries, has led to refugee crisis which has urged the concerning governments to ease cross border movements. However, some countries like Hungary, Macedonia and Greece etc have built up border fences to keep out refugees, fleeing war-torn countries. There is a debate among European policymakers about short term, medium term and long term effects of refugees in host countries. A report from Organization for Economic Co-operation and Development (OECD), found that the fiscal impact of immigrants in most of the countries is close to zero. New research from the OECD indicates that, across OECD countries, the amount that immigrants pay to the state in the form of taxes is more or less balanced by what they get back in benefits. The European Commission says in its economic forecast for the fall of 2015 that 3 million people could arrive in Europe by the end of 2017, and add about 0.25 percent to the bloc's GDP.

As suggested by European Commission figures, the refugee crisis is actually having a "sizeable" positive economic impact on some EU countries. Despite the extra spending related to the refugee crisis, the German budget surplus was expected to rise from 0.3% to 0.5% of GDP in the end of 2015. Extra spending actually stimulates the internal demand. The expected influx is also likely to translate into additional employment once refugees with skills get access to labor market. Europe faces a major demographic challenge as its population is aging; there is a lack of working population. Most of the European countries are creating jobs faster than the natives can fill them . Increased government activities in the host countries will boost the GDP, and will experience lower budget deficits in the long run because of migrant's contribution.

But the thing to ponder upon is to determine the level of immigration that turns out to be fruitful for the host countries. Due to increased global terror activities, it is still uncertain that how will immigration affect the host countries in future. If the level of immigration goes unchecked then host countries are most likely to suffer because once the process of cumulative causation takes place, any efforts taken by host countries in order to check, reduce or control immigration flows will not make any effect. Improved circulation of remittances, effective system of border and visa checks in order to rule out illegal migration and terrorist activities, motivation for young entrepreneurs, and dedicated programs for creating jobs for refugee communities may bring some ease in the economic as well as political system of host countries.

Impact Of Common Agricultural Policy On Underdeveloping Countries

Imran
M.A Hons. (Economics)
Second Year

Introduction

Agriculture is the act of a civilized society which has a historical and biological significance. It plays a very important role in the international trade since there always exist a surplus agent and a deficit agent of food. Agentscould be countries or continent.

Countries and Communities frame policies and strategies to manage food problem. But, the past decades explicitly show us chronic poverty in the so called under developed countries despite a food surplus in the world agricultural market. The closing way out of poverty for underdeveloped countries is multifactorial. The agricultural policies of developed countries are found to have a big hand in continuing the scenario of food deficit in under developed countries.

Economic growth of any country could be appreciated, but poverty eradication is a global social responsibility. The neo liberal cycle of fattening rich on the price of skinning poor cannot be praised. This could be boldly written in the words of M.K Gandhi "the world has enough for everyone's need, but not enough for everyone's greed".
This article will discuss the impact of European Union's Common Agricultural Policy (CAP) in the world market while acknowledging food insecurity in underdeveloped countries'.

European integration began after the Second World War. The European coal and steel community was formed with six member countries, with the treaty of Paris in 1951. It was an attempt to boost the economy and promote integration that would also prevent future rearmament by any member. The European Union now, is a leading world power in agricultural trade. Its food export count for 17% of the international trade. Thus any agriculture policy of European Union would have great impact on world market.

Common Agriculture Policy of EU

The development of European integration based on boosting their economy ended up with a new treaty in 1957 named Treaty of Rome. Further in 1958, the six founding members (France, Germany, Italy, Belgium, the Netherlands & Luxemburg) proposed a common agriculture policy in European Commission as they faced difficulty in free trade, within.

Article 38 and Article 9 of the Treaty imply that: Firstly, there would be a common agriculture policy with common prices. Secondly, a custom union exists, which is a form of economic integration in which all trade barriers between member statesis removed, while maintaining a common barrier with third countries. (Good man 1996)

Principles of CAP

By 1962, three principles of CAP have been established.

(1) Market unity: - a single market with common prices and free trade, no barriers on trade within the community in farms products.

(2) Community preference: - a system of tariff barriers to protect the internal market from the instability in the world market, preference for European commission supplies rather than world supplies.

(3) Financial solidarity: - to create a fund that would finance common expenditure in agriculture. Each member state has a financial responsibility for CAP.

Mechanism of CAP

(1) Domestic support**:** - it includes price support and direct subsidies paid to farmers. Coupled direct payment would be the most trade distorting as they encourage surplus production potentially driving down world prices.

(2) Export subsidies**:**- export subsidies seek to encourage agricultural export through financial support. Rather than market determining the price level, community civil servants and politicians at the European Council of Ministers provide a guaranteed price as a target price (fauilleux 2003).To insure targeted price, they give subsidy on export to the farmers which also insures farmer's income.

***(3) EU market access rustications*:-** EU market restrictions include measures that have an impact on imports, in the form of non-tariff barriers and import tariff. Non tariff measures encompass all measures affecting trade other than tariffs, like import quotas, variable levies etc.
General impacts of CAP

The CAP has been much debated and criticized because of its importance in influencing the world agriculture market. The two major arguments on CAP are about its influence over food insecurity and food price volatility.

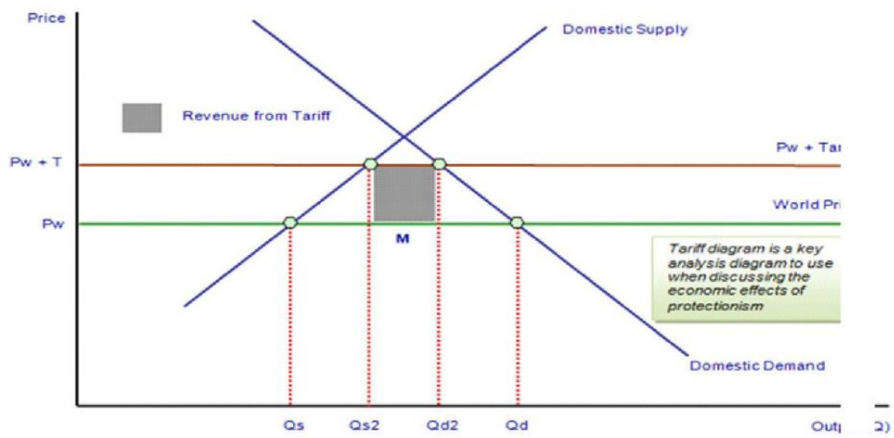
(a)Food insecurity and CAP:
The European food export count for 17% of the international trade. It is the largest exporter of processed food, the second largest exporter of diary and pork, and third largest exporter of poultry and wheat.

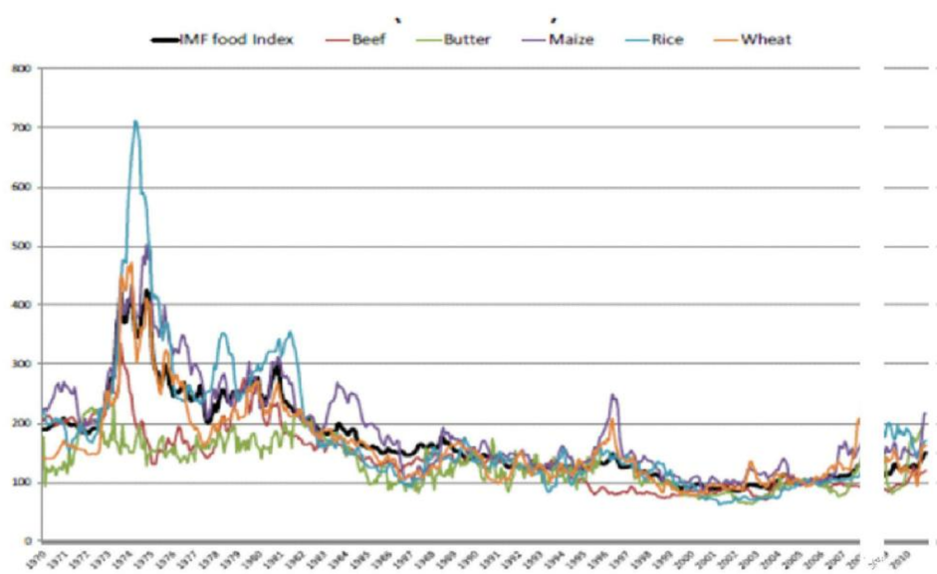
Lee Ann Paterson (1997) draws that the influential CAP has multiple and conflicting objectives. Quoting from Hans van der, "increasing agriculture productivity, increase in the individual earning of persons working in agriculture, stabilization of market, safe guard supplies, adequate supply and reasonable prices" are those objectives. Policies and measures to maintain these objectives resulted in virtually uncontrollable over production. For example between 1975 and 1986 the European commission moved from being an overall net importer of agricultural produce to being a net exporter of cereals, sugar, wine, beef, veal.

Second, to reduce the stock the EC had to increase export subsidies. In so doing, traditional non EC exporters of agricultural commodities lost world market share to the EC. Other than the export subsidy, European Commission already secured opportunity of Free Trade Agreements (FTA) with many developing nations so that the over produced will be sold out in those countries with no barriers. On the other hand, the LDCs would not be able to export similar volume of agricultural goods to EU as it puts high import levy. This resulted in deficit balance of trade and thus the mal functioning of demand supply graphs.

The producers, who were ready to sell at the world price, now are holding very less demand as EU implied high import levy to lessen imports. This resulted in less volume of export of LDCs to EU and high import to LDCs from EU.In short, CAP used the following market instruments and ways to ensure protection of their farmers

(1) Intervention purchases, when market prices falls below an agreed "guaranteed price".
(2) Import quotas and levy in order to enforce minimum import prices.
(3) Export subsidy to sell surpluses on the world market.
(4) Production quota (for sugar).





(b)Price volatility and CAP

Matthews (2011) identifies two main channels through which impacts of CAP could be transmitted: (a) changes on world market prices, and (b) impact on the variability (volatility) of world market prices (EC 2011). We have just discussed about the first. Price volatility is the next channel through which impacts of CAP has been transferred especially to the developing countries.

The data shows international price volatility over last decades. However, we must stress that high world price volatility does not automatically mean producer price volatility in poor countries. It varies in different countries based on degree of isolation of referred countries. And the studies of Kaspersen and Føyn (2010) show that, countries like Uganda are not much integrated into the world market to influence international price volatility. On the other hand, world food price will directly affect developing countries that import food. But for the EU and countries that use price-stabilizing policies extensively, such as China, India and Japan, price volatility is substantially less than in international markets (Cantore 2012).

Suggestions

I would like to promote La Via Campesina, as an international farmer's movement that represents some 200 million farmers in over 70 countries, who argues in favor of a model (under auspices of the UN), that:

• prioritizes local and regional production before export,
• allows the Countries/Unions to protect themselves from extremely low priced imports,
• permits public aids to farmers, provided these are not intended directly or indirectly to export at low prices

Conclusion

European Union's CAP is found to have great impact over world agriculture market, both in determining price and influencing price volatility. EU is an influential block of countries that strategically insulate themselves from price volatility and export it to other developing nations through trade agreements like FTA. This double standard of EU should end. When millions struggle from hunger and malnutrition, EU should not act blind.As European Commission agrees in EC report over policy coherence for development (PCD 2012), EU should take into account development cooperation objectives and should not undermine efforts of developing countries in achieving Millennium Development Goals (MDG) based on the right to food, the eradication of hunger and poverty.

CAP reforms, starting from 1968 to 2008, have seen many good fortunes. But none of the reforms touched its protectionist measures like import tariffs. From the analysis through the paper we can conclude that, developing countries are more affected by the policies like CAP.

CLIMATE CHANGE: A WARM RED SIGNAL TO GO GREEN

By- Zeba Khan
(MA Economics, 2nd year)

In Schools we have been taught about the climate change in terms of Global warming and Ozone depletion. So at this stage we are somehow familiar with these terms (events) and also their cascading effects on mankind for quite a long time now..

Wikipedia says that “Climate change is a change in a statistical distribution of weather patterns when that change lasts for an extended period of time”. Besides various biological and geological reasons there are number of human activities mostly undertaken in the name of socio-economic development that have been identified as a significant cause of recent climate change commonly called as Global warming.

The year just gone 2015 have been recorded as the hottest year in millennia, thanks to the human cause of global warming and an assist from “El-Nino”. El-Nino is one of the reason 2015 have been such an incredibly hot year.

Now what actually El-Nino is?

During El-Nino event, hot water is transported from the deep ocean layers to the surface. Before 2015 El-Nina (opposite of El-Nino) effect wascommon that prevents the temperature to go up, but 2015 have changed the scenario dramatically which has seen the third largest surface temperature warming influence from El-Nino event on record.

Well, 2015 is now a past. The important part is what we as a member of this globe can contribute toward a better and safe environment quality not only for us but also for our successors. The year 2016 has started with a sense of optimism about the climate change following the adoption of *Paris Climate Agreement* last December.This is the first ever international commitment to take concrete measures to reduce emissions and help vulnerable countries adapt to the impacts of a changing climate by also providing enough finance for poor countries to implement the agreement in 2020.

Now the fundamental controversy that would arise in meeting the objective of this agreement of keeping the world temperature from rising above 2^0C from pre-industry levels is how the developing countries like India manages to balance between the lower carbon emission targets and our very own development process.

India’s move toward low carbon horizon is formidable because as the fastest growing major economy it has emitted only 3% of energy-relatedCO_2 since 1980. India has relatively a clean past but also an increasing responsibility for the future ofthe earth and atmosphere. We can be proud by not harming the environment “at the global level” until now, but India’s ambitious economic modernization will likely to triple its CO_2 emissions by 2030, so the absolute addition to emission is inexorable.

In their defense some senior Indian bureaucrats asserted that “our contention is that emission of more carbon in a near term for a justifiable cause of lifting 300 million people out of poverty is not a forever process since 40% of our energy mix can come from renewable sources by 2030”.Per capita emissions are indeed far lower in India than its Western counterparts like USA, European nations etc. but that’s not a pleasing fact to be known at all. Let’s take an elaborative picture of this fact.

There is no denying that West bears the century’s burden for warming up the climate but let’s just look at the numbers:India is four Americas rolled in 1 in terms of population (with a population of 1.29 billion as against the US’s 319 million) with 1/3 of the area of the US (3.28 million km^2 as opposed to 9.86 million km^2). This implies that even if our per-capita emission are a tenth of

America there are 12 times more people per km^2 in India who are adding more filth to the enrolment each day.

India has too many mouths to feed so drought or pest attacks are a bad news. Also,urbanization in India is taking at a rapid pace (by2030, 40% of the Indian population will live in cities as opposed to 31% today) which means ill-planned cities will cause more devastation when hit by a natural calamity such as earthquake andincessant rain like the recently experienced flood in Chennai. In fact, being a developing country any climate change related calamity will hurt itmuch more than a rich a nation. Therefore, India's late industrialization process placed her on the hot seat where the global interest is toward how India manages to ascent.

How much India is prepared for this big responsibility?

Well, A very quick estimate of greenhouse gas mitigation implication of Indian INDC(Intended nationally determined contributions) by 2015-2030 indicates that over 3500 million tons of greenhouse emissions would be mitigated in India which directly implies energy sources coming from solar, wind & other renewable, reduced T& D losses and enhanced public transport etc.But certainly, India has been entrenched with some explicit loopholes which are needed to be filled-up like some haphazard development has to be stopped with a heavy hand, common places like water bodies and green cover needed to be restored or freshly created in our cities.

So in the end I would suggest that climate change which each and every human being is experiencing is not only hurting polar bears in Atlantic but you and me too. One can't deny the fact that now summers are much hotter and what is even worse to experience is that this time we all missed the chilling winters that once we had experienced.

Not only this, pollution level has gone at a level where the apex court of the country compelled to announce our very own capital a "gas chamber".It is very unfortunate to realize the fact that Delhi has at least 1 death per hour due to air pollution related diseases and lung of every 3rd child is impaired.

So what else we all want to make a situation an emergency. It is an "Emergency" and we all have to make sure at our very own level that future development must be sustainable,perhaps by giving up higher lifestyle could be a good beginning for mitigating climate change because we certainly need to assure that"the future economic development and growth should not be at the cost of 1.25 billion people due to climate change".

The Stateless Entities

By-Shazia
MA (ECONOMICS) 2nd Year

Have you ever felt what it is like to lose one's identity? I guess not.

Now imagine a situation where you don't even exist for the whole world and you are being deprived of all the rights even the elementary one i.e., the right to live. You are not allowed to study, work and marry or even to raise your voice against any violent action. You belong nowhere .You don't have a place to live in, you don't have the freedom to enjoy your rights. Just nothing. This is the reality of theRohingya people also known as 'the boat people'.

Rohingyas-a minority Muslim group residing in the Rakhine state of Myanmar are considered as the "stateless entities"because the Myanmar government has been refusing them as one of the ethnic groups of the country.In 1982, theRohingyas were denied citizenship with the enactment of Burmese Nationality Law. Since then they have no legal rights in the country, they live in 'apartheid-like conditions'.

The exploitationin their own country compelled the population of about 1.3 million people to migrate to South Asian countries including Malaysia, Indonesia, Philippines and Thailand via the waters of Strait of Malacca and Andaman Sea. According to the estimates, around1,40,000 people were internally displaced within Burma and 86,000 made the hazardous journey to neighbouring countries with dwindling supplies of food and water.

The condition of the Rohingyas has worsened evidently in the recent years. The Burmans, the majority ethnic group of Myanmar, also resented the influx of Rohingyas and since 1948 (Burma won independence from the British) it has consistently refused to give them citizenship.The Rohingyas were not included as one of the country's 135 official indigenous ethnic groups in the notorious 1982 citizenship act.It is believed that the transition of Myanmar in 2010 from a military- led government to a somewhat democratic system has also led to some of the worst violent attacks on Muslims.

As many as 8,000 migrants from Bangladesh and Myanmar are believedto be stranded at sea, by the International Organization for Migration (IOM). The countries where these refugees are trying to migrate have now become more reluctant in letting them land in their respective territories. The Thai government have quelled the smugglers who have taken them to camps in southern Thailand and effectively held them ransom. The navy has now started turning their boats away because they don't want permanent settlers in their land.

Not only Thailand, other countries have also shown repelling nature towards thisissue. Indonesiahas made it clear that they are not welcomed, it has accepted those rescued by fishermen but has warned them not to rescue any more.Similar reactions have been given by the Malaysian government as well.

According to some legal experts, the reason behind the countries reluctant attitude may be because of the principle of non-refoulement, wherebyrefugees cannot be forcibly returned to places where their lives or freedoms may be threatened.

Put simply, the Rohingyas are now considered to be the most persecuted minority in the world. They have no place to live.A large number of people die in the sea because of lack of proper supply of food and water.Many of them are exploited heavily by the human traffickers. Millions of them are stranded at the sea with no hope of reaching a safe place.

Other countries and human rights organisations have heavily criticised the condition.

According to experts, this problem cannot be resolved until and unless the international community puts pressure on Myanmar to improve the lives of the Rohingya community.

But this doesn't seem to be the case as researchers from the International State Crime at Queen Mary University of London released a report drawing on leaked government documents that reveals an increasing "ghettoisation, sporadic massacres, and restrictions on movement" of Rohingya people. The researchers suggest that the Myanmar government has reached the final stage of an organised process of genocide against the Rohingya.

It is well defined that there remain very little hope of any improvement in their situation, as the Myanmar government itself doesn't seem to be concerned with this crisis at all.

DIGITAL INDIA INITIATIVE: POWER TO EMPOWER

BARKHA GURANI
MA ECONOMICS
(1ST YEAR)

There's a new start-up in the town and it's the 'big brother' of all start-ups. Its scale is so vast and its vision so broad that the digital world's big daddy, is giving it a standing ovation. Digital India initiative is an ambitious programme, through which Indian government is envisioning multi-pronged benefits. The aim is to digitally empower every citizen. It is a futuristic vision for backward integration. It focuses on technology for bringing about social change. It is an umbrella programme, covering several departments.

The digital India initiative's vision is to provide high speed internet as a core utility to every citizen. It aims to provide cradle to grave-a unique and authenticable identity for participation in financial space via mobile phones. Bank accounts and safe and secure cyber space is another focus. E-governance and M-governance is certainly another major breakthrough aiming at providing all the citizens with government services through online and mobile platform. Making financial transactions electronic and cashless is also highly debated. Quite naturally, thus, the initiative emphasises the importance of universal digital literacy and universally accessible digital resources/services available in Indian languages.

The initiative weaves together a large number of ideas and thoughts as can be seen through its nine pillars.

· BROADBAND HIGHWAYS

This includes Laying of National Optical Fibre Network (NOFN) in 2.5 lakh gram panchayats by December 2016. Also, virtual network operators for service delivery and communication infrastructure in new urban developments would be mandated in urban areas. Nationwide integration of network and cloud infrastructure to ensure high speed connectivity and cloud platform to various government departments is also aimed at. These infrastructure components include State Wide Area Network (SWAN), National Knowledge Network (NKN), National Optical Fibre Network (NOFN), Government User Network (GUN) and the Megh Raj Cloud.

· UNIVERSAL ACCESS TO MOBILE CONNECTIVITY

Increased network penetration and coverage of gaps to ensure universal access to mobile connectivity is the focus of this initiative.

· PUBLIC INTERNET ACCESS PROGRAMME

Expanding the landscape of internet access via quality and quantity improvements in Common Service Centres (CSC's) in rural areas and converting post offices into multi-service centres is another appealing scheme.

· e-GOVERNANCE- REFORMING GOVERNMENT THROUGH TECHNOLOGY

E-governance includes government business process Re-engineering using IT to improve transactions, electronic databases, workflow automation inside government & public grievances redressal using IT. Aadhaar platform of Unique Identity Authority of India (UIDAI), payment gateway, Mobile Seva platform, sharing of data through open Application Programming Interfaces (API) and middleware such as National and State Service Delivery Gateways (NSDG/SSDG) would be mandated to facilitate integrated and interoperable service delivery to citizens and businesses.

· e- KRANTI

E-kranti is one of the major thrusts of digital India programme focusing on provision of technology for education, healthcare, planning, farmers, security, financial inclusion, justice and security.

All new and on-going e-Governance projects as well as the existing projects, which are being revamped, should now follow the key principles of e-Kranti namely 'Transformation and not Translation', 'Integrated Services and not Individual Services', 'Government Process Reengineering (GPR) to be mandatory in every MMP', 'ICT Infrastructure on Demand', 'Cloud by Default', 'Mobile First', 'Fast

Tracking Approvals', 'Mandating Standards and Protocols', 'Language Localization', 'National GIS (Geo-Spatial Information System)', 'Security and Electronic Data Preservation'.

There are 44 Mission Mode Projects under e-Kranti, which are at various stages of implementation.

· INFORMATION FOR ALL

This involves transparency and proactive engagement of government through open data platform, social media and online messaging. Launch of MYGOV.IN as a medium of exchange has already taken place as a step forward in this direction.

· ELECTRONICS MANUFACTURING

Electronic manufacturing targeting zero net imports is striking demonstration of government's intent. This requires coordinated action on many fronts such as taxation related incentives, economies of scale, skill development, government action in procurement and setting safety standards, strengthening R&D in electronics and focusing big ticket items such as FABS, Fab-less design, Set top boxes, VSATs, Mobiles, Consumer & Medical Electronics, Smart Energy meters, Smart cards, micro-ATMs etc.

· IT for jobs

Training people in smaller towns and & villages for IT sector jobs, Information Technology Enabled Services (ITE'S) in north eastern states, train service delivery agents to run IT businesses delivering IT services, telecom service providers to train rural workforce to cater to their needs, setting up of BPO's in north east are certain proposals under this initiative.

· EARLY HARVEST PROGRAMME

This programme consists of those projects which are to be implemented within short timeline. This includes IT platform for messages, government greeting to be e-greetings, biometric attendance for employees, secure e-mail within government, public Wi-Fi hotspots, school books to become e-books, SMS based weather information and disaster alerts, standardized government e-mail design, and national portal for lost and found children.

These fascinating pillars have sprout up hope and desire in every Indian citizen. Though, it remains to be seen what it may bring upon us, controversies regarding its success are already taking shape.

Top CEOs of American companies, which have played a key role in IT revolution the world is experiencing now, have endorsed Prime Minister Narendra Modi's ambitious 'Digital India' programme, describing it as a vision that would bring India technologically at par with the rest of the world. Prime Minister Narendra Modi, while visiting the Silicon Valley, met with the top IT CEOs, including Microsoft's Satya Nadella, Google's Sunder Pichai, Adobe's Shantanu Narayen, Qualcomm's Paul Jacobs, Apple's Tim Cook, and so on.

"If you can change India, you will change the world," jacobs said, adding that the Internet is the second equalizer in life after education."We are extremely excited and motivated" by the Prime Minister's Digital India initiative. Observing that mobile technology is changing everybody's life, he said India is poised to be a leader in digital technology.

Properly implemented, Digital India can be a very powerful tool. Digitization would make things simpler for vast number of rural folk. From obtaining a bank loan, to crop-insurance, to learning new techniques to improve yield, the opportunities are endless. It will lead to delivery of government services seamlessly, without delays or corruption, to all sections of society. Its impact would be visible on delivery of targeted subsidies, to reach of farm extension services to health care, to education.

And if and when this is properly rolled out for businesses to tackle the mostly crooked, mostly harassing, mostly time-wasting lower and middle level bureaucracy, it can make it far easier to do business in India, lower the huge costs we pay just to tackle these parasites.

Most countries are now looking at India as a huge potential due to the sheer volumes. Every single big ticket service/product in the US has found space in India. For every uber there is an Ola, for every Amazon there is already a Flip kart and so on.

What is worrying is when politicians and millionaires start agreeing with each other. Concerns being-

What is the impact of this on our privacy, remember the low IQ New Encryption Policy? Empower 60,000 villages with broadband, really when farmer suicide continues? Why Google should create Wi-Fi spots, are there no local companies to set up such hot-spots? Internet.org by face book - Raises the bogey of net-neutrality, this is pure evil. What has been done for the Indian start-ups? Can't we create world class companies?

Thus, even though digital India seems to be a game changer certain questions remain unanswered and its impact is yet to be seen. However, optimism overshadows the scepticism, for people are looking forward towards the promising goals that digital India seeks to accomplish.

Rolling out GST in India: A Critical Evaluation

Chandrika Joshi
B. A. Hons. (Economics)
Third Year

The Concept of GST: Often Misunderstood:

The Goods and Services Tax (GST), as the name suggests is a single comprehensive tax levied on manufacturing, sales and consumption of goods and services at national level that would subsume all the other small indirect taxes. Presently, the indirect taxes include Excise Duty, Customs Duty, Services Tax (all levied by Central Government); Sales Tax, Octroi, luxury tax, lottery tax and electricity duty (levied by State Governments) and Value Added Tax (VAT) (levied by both the Central and the State Governments).

Presently, tax rates differ from state to state. Introduction of GST would ensure a comprehensive tax base with minimum exemptions and would considerably reduce inefficiencies created by a heterogeneous tax system. It would also facilitate industry to reap benefits from common procedures and claim credits for taxes paid. Thus GST is considered to be an efficient harmonized tax system which has been accepted over the world and is applicable in over 140 countries.

A research study carried out by National Council of Applied Economic Research (NCAER) estimates a growth in country's GDP by 0.9-1.7 per cent if GST is implemented. However, cross-country empirical evidence suggests that introduction of GST did not led to increase in GDP growth in countries like New Zealand, Canada, Australia and Thailand but it certainly helped in containing the inflation and increase in the tax to GDP ratio.

Implementation of GST is likely to help resolve the problems associated with cascading taxation and GST would bring uniformity and create a Unified National Market in the country. It would eventually reduce the cost of doing business and improve India's credibility among foreign investors.

Constitutional Provisions regarding GST:

The constitution of India provides for division of taxation powers between the Centre and the State. Presently, as per the provisions of the Indian constitution, states do not have power to levy service tax whereas central government does not have power to levy taxes beyond factory gate i.e. VAT, sales tax. To facilitate this constitutional amendment is required that would empower the States to levy service tax and Centre to tax goods at retail stage. GST bill must be passed by both houses of parliament with two-third majority and also has to be ratified by 50% of the states. Once GST bill is passed, both the Centre and states would be require to frame and pass GST laws as Central GST and State GST, that would provide framework for the new tax.

There has been considerable resistance from states. Punjab and Haryana were reluctant to give up purchase tax whereas Maharashtra was unwilling to give up octroi. All states wanted to keep petroleum out of the purview of the GST. Strong positions were taken by BJP rules states especially Madhya Pradesh, Gujarat and Maharashtra. Though, the GST has passed through the Lok Sabha, but states' concern still remains. Gujarat and Maharashtra insist upon the additional one percent duty extended beyond the proposed two years.

As per the government plans, once the GST is introduced, the Central Sales Tax (CST) would be completely phased out while the entry tax or octroi would be subsumed from the beginning. However, as per the agreement reached between the Centre and the State governments, the state taxes on petroleum product is likely to continue for a few years and also the state taxes on alcohol and tobacco would also continue.

Issues of Conflict in Implementing GST:

Although it had always been agreed to streamline the taxation system in the country and remove the anomalies in the system and implement GST among major political parties in the country. Ironically, the inability of the major political parties in the parliament and among the states to reach a consensus has become a major stumbling block before the bill would see light of the day.

In Budget (2007-08), the Finance Minister of India, P. Chidambaram announced implementation of GST from April 01, 2010. The GST bill was introduced in the Lok Sabha by the Congress led UPA government in 2011 but it failed to get it passed. In December, 2014, the bill was introduced in the Lok Sabha by the BJP led NDA government and the bill was cleared on May 06, 2015, but the bill is now pending in Rajya Sabha as the NDA does not have majority in Rajya Sabha. The major issues of conflict between the ruling NDA government and Congress led UPA include scrapping 1% additional levy for manufacturing states, capping the GST rate at 18% to be added to the bill itself, and change in composition of the GST council.

Abolition of Inter-state Taxes:

With implementation the of GST, octroi would be subsumed in the GST from the start of as it has cascading effect and is estimated to account for about 14 % of tax collection by states of Rs.3,50,000 crores. Therefore, the central government agreed for a special dispensation to allow states to levy an additional 1% tax in lieu of entry tax over and above the GST, for manufacturing states such as Gujarat and Tamil Nadu.

The major opposition party, Congress has demanded scrapping of the proposed 1% additional duty. Their demand seems somewhat rational as any such additional taxation would defeat the very purpose of rationalizing the taxation system.

Placing a Cap of 18% on GST rates as a part of Constitutional Amendment:

Putting the GST rates in the constitution limits flexibility of the executive in amending the rates, even if the situation demands so in the future. It implies that it would require a constitutional amendment each time it is to be revised which would require the new rates to be cleared by both houses of parliament followed by the ratification from 50% of the state legislative assemblies. Therefore, States would find it difficult to agree to include it in the constitutional amendment.

Composition of GST Council:

The original bill proposed by the UPA government proposed setting up of a Dispute Settlement Authority. However, the Parliamentary Standing Committee did not favour establishment of the Authority headed by a Judge that who would have overriding powers over the parliament and the state legislatures. Moreover, the states strongly opposed establishment of such an Authority.

To implement and monitor GST, a GST Council is proposed to be formed that would decide on the issues related to tax rates, exemption list, threshold limit, period of levy of additional tax, principles of supply, special provisions to certain states etc.

The proposed composition of GST council stipulates two–third representation of states while one-third from Centre whereas the UPA is insisting upon reducing the centre's share to one fourth. Centre is finding it difficult to agree to such a change in composition of the GST council as it dilutes the centre's effectiveness and authority to implement the GST.

Uncertainly Still Looms Large over the GST:

The implementation of GST has become an issue of political tussle between the ruling party and main opposition irrespective of political party in power. Although, the ruling party has tacitly agreed to the opposition demand of scrapping one percent additional inter-state tax so as to get the GST bill passage, however, it is reluctant to agree to include the cap on GST rate in the constitutional amendment and reducing its participation in the proposed GST Council. But the opposition still seems to be unrelenting.

In view of the prevailing political tussle, the implementation of GST is unlikely by the proposed deadline of April 01, 2016.

Shale Gas – A game changer for India

Shreya Oberai
MA Economics (1st Year)

Wondering what the fuel prices will be 10 years from now? Or whethercrude oil will be able to quench the thirst of major economies of the world due to its major supply-demand mismatch? In a high oil price environment, unconventional resources like shale gas are viewed as important and economically attractive components of future oil supplies.

Shale Gas is a natural gas extracted from shale formations (fine grained sedimentary rock formations useful in extracting rich petroleum resources) below the earth. In terms of its chemical makeup, shale gas is basically a dry gas composed of methane. Extracted for the first time in the United States, it has transformed the country'senergy market. The exponential rise in the natural gas production has reduced the nation's reliance on imported gas.

India has high potential of shale reserves. There are 28 sedimentary basins in the country with large amounts of shale rocks, which includes the Gangetic Plains, Assam-ArakanBelt, Gujarat Cambey Basin, Damodhar Basin, Gondwana Region, Cauvery Basin and Rajasthan among others. The development of the domestic shale gas industrycan help increase the economic activity in the country, thereby boosting government revenues and creating new jobs.Additional gas supplies can also spur investments in associated downstream segments, which cater to significant latent gas demand in the country. It can be a viable alternative for meeting the needs of peak and captive power units and other sectors such as transportation, refineries and steel where it can substitute expensive liquid fuels. Shale gas could be the answer to the growing gas supply-demand gap in India, and can help overcome its fiscal deficit by reducing its dependence on gas imports. Also, shale gas is an environment friendly gas; it doesn't contribute to smog and releases 50% lesser carbon dioxide. Hence, this emerging industry must be promoted by balancing economic benefits with environmental and social issues.

However, shale gas is not a priority in India due tovarious problemsfaced by the country. The extraction of shale gas has been viewed as uneconomic as the gas does not flow easily through the rocks. Therefore, the exploration of oil and gas has traditionally focused on limestone and sandstone. However, with the development of new technologies like horizontal drilling and hydraulic fracturing, the extraction of shale gas has become more feasible. But, hydraulic fracturing needs large land area and water supply;India faces land acquisition problem and shortage of water for drinking as well as irrigation,making diversion of water for shale gas exploration difficult.

In order to replicate the shale gas experience of the US, India will need strong service and infrastructure capabilities along with a favorable regulatory regime. The prerequisites for developing the domestic shale gas industry include the need to have a favorable regulatory framework, which will incentivize companies to invest in shale gas activities; favorable pricing mechanism; development of service capabilities and addressal of environmental and social concerns.

The Government of India, along with the Indian companies, is undertaking various initiatives to accelerate the development of shale gas reserves in the country. This includes setting up ofa Multiorganizational Team comprising the Directorate General of Hydrocarbons, Oil and Natural Gas Corporation (ONGC), Oil India Limited(OIL) and GAIL (India) Limited for analyzing the existing data set and suggesting a methodology for shale gas development in the country. ONGC and OIL are aggressively implementing pilot projects to assess the shale gas potential in the country. In addition, Reliance Industries Limited and GAIL have entered the US shale industry to gain technical expertise which they may use in developing shale gas reserves in India.

India's vast resources of shale gas were untouched due to strict government policies and lack of interest from the industry. However, with the help of new technologies and the growing energy needs coupled with appropriate market prices, it is the right time to explore and exploit this resource on equal priority. Reservoir characterization and detailed planning is necessary for the success in shale gas exploration.

Rural Entrepreneurship: A new possibility to explore

Harpreet Kaur

The rural areas of India are the habitat of majority of its population, almost 73%, with agriculture still being the dominant source of livelihood in these areas. A prominent feature of such agriculture dominating society is that the large portions of land are held by small and marginal farmers, which results in overcrowding and diminishing returns on farm production. The other one is that those who lost their bit in this sector migrate to urban areas in search of other sources of income. In both the scenarios the population of these areas could not find themselves any better and remain below the poverty line. This highlights the fact that for economic development of our country, it is imperative to develop the rural areas and raise the standard of living of our rural masses. However, migration is not always undesirable but employment does not stand out as a viable reason for this. Instead we should create enough opportunities in rural areas itself so that those have already shifted to urban areas find it worthwhile to shift back to rural areas and in this endeavour rural entrepreneurship can play a crucial role.

Rural entrepreneurship can also be termed as rural industrialization, implies entrepreneurship emerging in rural areas. The vast set of activities such as catering for tourists, blacksmithing, carpentry, spinning, etc. leads to non-agricultural uses of available resources. Further diversifying the activities other than those solely related to agricultural usage, for example, the use of resources other than land such as water, woodlands, buildings, available skills and local features, all fit into rural entrepreneurship. Rural entrepreneurship will offer unconventional ways of living to the rural youth and also result in the reduction of disguised unemployment. Further rural youth will learn to optimally utilize the local resources in entrepreneurial ventures. One such example of this is formation of big cooperatives is AMUL for optimum utilization of farm produce. The main emphasis of rural entrepreneurship lies in the establishment of industrial units in the rural areas. The major focus in this regard is on few categories of village industries such as agro-based industry, textile industry, polymer and chemical based industry and engineering industry.

Rural entrepreneurship has an embedded potential of providing employment opportunities to people living in rural areas as it involves utilization of more manpower. The rural areas are considered to be the hot bed of innovations as the best innovation is developed out of necessity. There is no dearth of literature which can justify this. To cite few, a farmer, Patel invented a cotton stripping machine that has significantly cut the cost of cotton farming and revolutionised India's cotton industry and Prajapati, a potter, invented a clay non-stick pan that costs Rs.100 and a clay refrigerator that runs without electricity for those who cannot afford a fridge or their electricity and maintenance costs. There are many such people in rural areas who can add to this revolution if given an opportunity. This contribution of rural entrepreneurship in achieving economic development of the country has gave it a special importance in Government of India's successive five year plans which provide support for the promotion and subsequent development of rural entrepreneurship. However a lot of efforts and initiatives have been taken in this regard by Government of India and other institutions, but the number of rural entrepreneurs existing today is not satisfactory. The reason for this could the problems that rural entrepreneurs face and the slow progress by government side to find possible remedies to these issues. There are a lot of hindrances that a budding entrepreneur in rural area has to deal with: financial constraints, lack of technical know-how, lack of communication and market information, poor quality raw materials and other inputs, lack of storage and warehousing facilities, etc. There is a need of developing new and innovative mechanisms to deal with these problems such as free and continuous supply of raw materials, provision for adequate capital that will facilitate development of rural entrepreneurs, provision of common production cum marketing centres, creating more awareness about facilities available for the rural entrepreneurs, and other ways which could encourage the rural population especially the rural youth.

In this regard the Non-Governmental Organizations (NGOs) have played a major role in the past and are still working to make the situation better in rural areas. They are focussing on creating awareness through their programmes on entrepreneurial development. Also the government has launched many developmental programmes to target the groups of potential entrepreneurs, artisans, handloom weavers, educated youths, rural community, etc. to further enhance the capabilities of rural masses to earn their livelihood; the Government of India had launched a Start-up Village Entrepreneurship Programme in its budget 2014. This programme with an estimated worth of $72mn was launched to foster 1.82 lakh entrepreneurs over a period of four years, in 40 blocks across 14 states. This programme is a sub scheme under National Rural Livelihood Mission. Further the Ministry of Micro, Small & Medium Enterprises (MSME) providing financial assistance to Entrepreneurship Development Institutes (EDI) to provide training to the potential entrepreneurs and hence plans to launch new programmes this year for same.

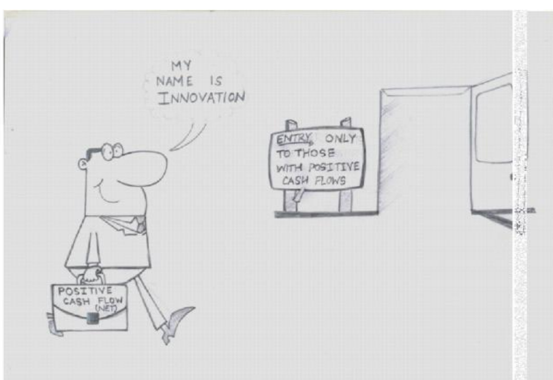
In line with the above, we can say that there exist high opportunities in rural entrepreneurship that are unexplored until now and which can change the destiny of rural population and will bring prosperity to them. The recent programmes of Government of India i.e. Make in India, Skill India and Digital India will greatly benefit the rural areas as these mainly focus on further enhancing India's manufacturing base. There exists a realm of possibilities for entrepreneurial development in rural India which can add to various aspects of Make in India program and can actually signify Make in Rural India.

INNOVATION-the most “critical” “strategic” “competitive” factor in global business

M.A. ECONOMICS (YEAR 2),
JATIN GROVER

INTRODUCTION: In the words of Plato(an ancient Athenian philosopher)”Necessity is the mother of invention” where as in Roger More’s words “Cash flow is the father” and what is required is to keep all three of father, mother and son together. In simple words Innovation is a new way of doing something, or new stuff that is made useful but is that it? Would it be enough just to keep creating ideas even if it’s not creating or growing real wealth for the innovator? Would the corporations bundle the innovations with the product and services that they produce or offer if they are aware that this is not going to translate into positive net cash flows? The answer,certainly,is a NO.Corporations are not like “some” governments who work for vote banks by giving way to innovative ideas even if it’s not creating any value.Well,this is not the platform to discuss about governments!

The prime objective of innovation that the corporations have in their minds is the creation and growth of their real wealth and the most precise measure for that,as far as the author’s mind suggests,is the net cash flows after the implementation of the innovative idea.If the total cash earned through the innovation exceeds the total cash burnt during the process of the discovery and implementation of the innovation then only the innovation is and should be termed as successful.Such recognition to this measure has also been induced by the recent fiascos in the banking andinvestmentcommunity,General Motors,Nortel and WorldCom.Would South Korean manufacturing giant HYUNDAI have kept on innovating if it would not have been enjoying a 9-10% profit margin in an industry like the automobiles?Some call it a risky where as some call it an innovative 1986 decision of Hyundai’s charismatic founder CHUNG JU YOUNG to enter the North American market when it did not have superior technologies than then Japanese and European giants of the automobile industry.



THE RUMMY CASE OF HYUNDAI: It’s actually the innovation that led to the “me-too follower”status of the company in the eyes of Toyota and Honda from being just a purveyor of cheap and low quality cars in the United States.But even after numerous quality problems and disputes,Young decided not to shut the operations and to push deeper in the U.S.markets and in 1998, Young’s eldest son decided to offer a 10 year powertrainwarranty on their cars- **another innovation**! And some of other innovations that paid off very well to the company were :

➔ Being the only automaker in the world to produce its own steel and employing hundreds of engineers to search for the best quality steel to make their cars lighter and more fuel-efficient

➔ Daily interaction between the company’s U.S. managers and the Korean coordinators which involves not just the problem discussion session but also the solution discussion session where as such interactions happen once in a week in manufacturing giants like Toyota

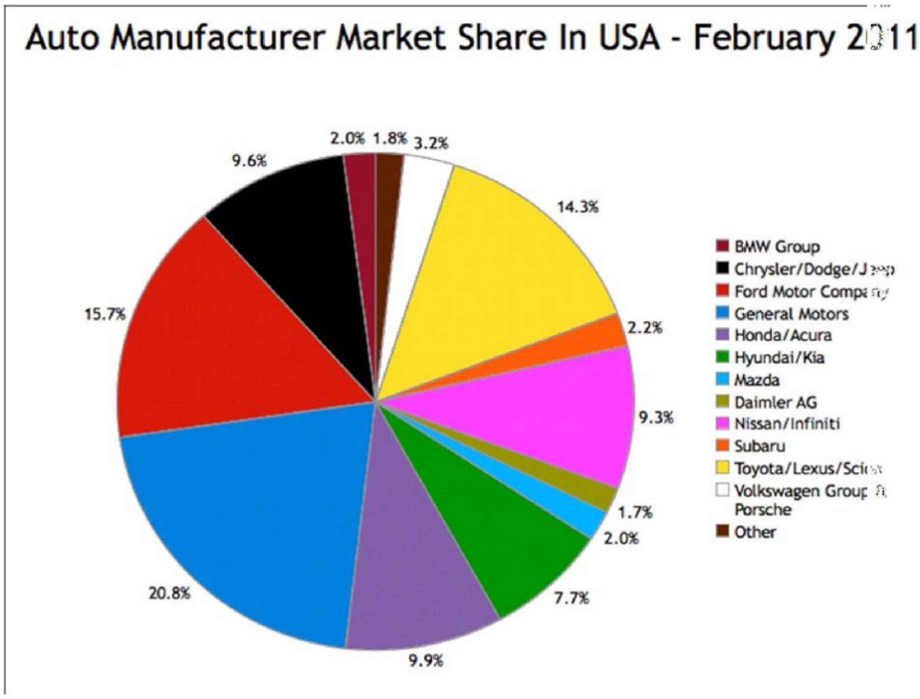
➔ Young designers as compared to the ageing designer in Toyota,Honda and GM.In words of the design chief Chapman "Design is a young-minded person's business.""We are in the business of making people feel young" says John Krafcik,CEO and president of Hyundai Motor America."And the "chairman's"(which Chung Mong-Koo is generally referred as)search for top-level design talent in Germany,Italy and the United States verifies the above statements and that the company is aware of the fact people are tired of incremental changes to the same basic looks

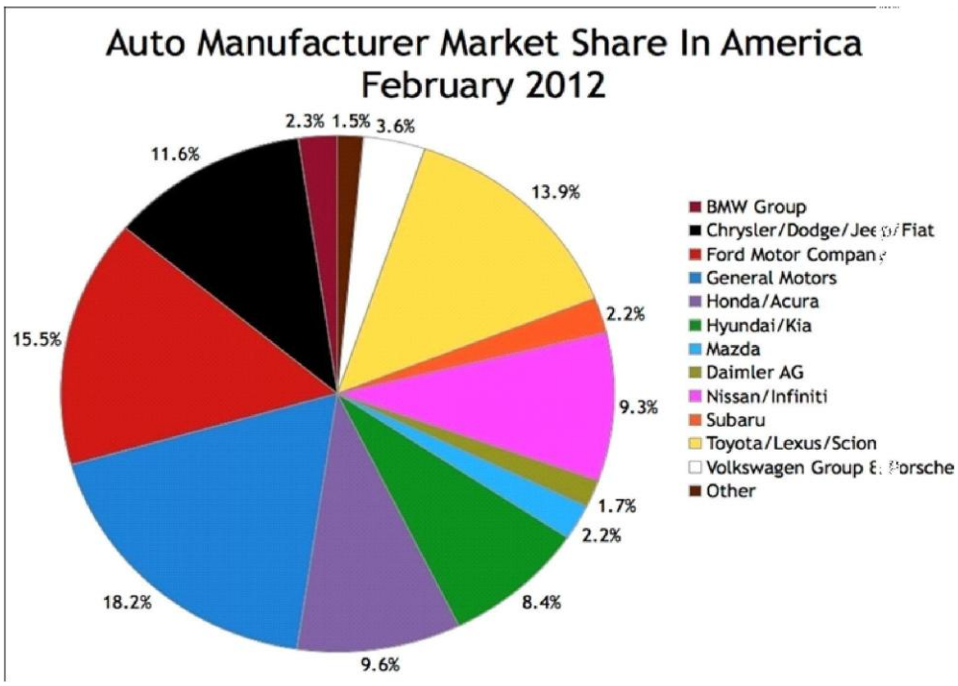
➔ The focus on "qualativity" which includes quality,productivity and customer satisfaction.Everyone was astounded by the company's decision to cap production in short run because it thought that it might compromise on quality.It went to an extreme of creating a Global command and control centre in Korea from where an eye is kept on all the plants across the globe that the company has and even small errors in any plant are pointed out,reported and flushed out

➔ Extensive use of robots helps in completing a task in blink of an eye which otherwise takes few minutes to get done

➔ Quicker decision making and implementation of policies as observed in the case of the 10 year warranty policy which in the words of then recent recruit from Toyota "The Koreans are cowboys and very different from the Japanese,at Toyota, it would have taken 18 months to get the idea through the consensus process."

And the prodigious pay-offs include being the only Korean company to survive the East Asian financial crisis of 1990s,Hyundai and Kia(the South Korean manufacturing giant which was overtaken by Hyundai





during the 1990s crisis)getting recognized,in 2011,as the two fastest growing brands in U.S.A.,becoming one of the world's top-five car companies and being responsible for more than 20% of South Korean GDP in 2011,giving South Korea 8% of global car market(this can also be attributed to the fact that most of the Korean R&D spending,3.7% of GDP(2009),goes into technology and automobiles) and the most important of them all(mentioned earlier as well) is the estimated 9-10% profit margins that Hyundai enjoys which represents the positive net cash flows for the company which has further opened room for innovations.

Even the pie-charts below show the increase in share which increased by 0.7% for Hyundai when all other giants of the car market lost their share in the U.S. market for auto manufacturers.

DEITY ALSO FAVOURS KOREANS: Innovation seems to be engrafted by the almighty in South Korean's genes.They seem to be one of the best case studies for "creative destruction" as instead of trying to bail-out failing companies in 1998,Koreans allowed almost 40% of their biggest multinationals to go down(unlike their Japanese counterparts),selling some others to new owners and engaging more professionals.To repay a debt of $58 billion within 3 years was no less than a bolt from the blue!And this could happen only because of the people of Korea who decided to donate their gold jewelleries during the 1990s crisis,one may refer to it as "nationalism" but the author treats it as their**"innovative nationalism."**The sense of "urgency" instead of "idle hands" in Koreans is their forte and this completely goes with Plato's words as this leads to innovative thinking.

CONCLUSION: Also,the B-schools and other institutions should focus much more on providing the potential "innovators" with the real-world instruments that can be useful in the process of application of innovation so that the debacles like that of NORTEL can be avoided.In financial economics,we study about the policy instruments,intermediate targets and the final goals,"innovation" can act as all three at the same time,an "innovative" policy instrument is needed for achieving an "innovative" intermediate target which is being set so as to have the best chance of hitting the "innovative" final goal.Another "innovative" statement but this time not by a South Korean!

WHY TRADE AND ECONOMICS, NOT POLITICS CAN LEAD TO INDIA-PAKISTAN PEACE

Tabish
B.A. LL.B (Hons.)

The usual tale of foreign relations is to put some extra efforts inminimizingconflicts and fights as the first priority of bilateral or multilateral engagement is to create a productive atmosphere for smoothening of trade and other relations between conflicting nations. However the learning, if any,from the relatively more peaceful 7 decades in world history is completely opposite of this conventional wisdom. It is not just better political relations that leads to trade but increased trading and economic interests that can be a driver for harmonious political ties between nations, confirms a Stanford study: *From 1950 to 2000, the incidence of interstate war has decreased nearly tenfold compared with the period from 1850 to 1949 (which saw two world wars). At the same time, since 1950 international trade networks have increased nearly fourfold, becoming significantly denser.* And if this theory can bring the longest lasting relative period of peace to a world that was at the brink of annihilation twice and unite countries like England and France (who fought a Hundred Years' War) into an entity called the European Union, there is no reason why, if this theory is applied in the India-Pakistan context, it would not lead to a new narrative of bilateral relations between the two nations.

Trends in India-Pakistan Trade

Currently, India's trade with Pakistan stands at 0.3% of India's total global trade, while Pakistan's with India is around 3%. Over the last two decades, bilateral trade has grown between the two countries. This trend paints a hopeful picture despite the various instances of conflict and ceasefire violations. Bilateral trade only showed slowdown twice, from 2001 to 2004 following the attack on Indian Parliament and after the Mumbai attack of 2008.

The first step to delink trade from politics was taken in 2004 in the form of a composite dialogue during the commerce secretary level talks on commercial and economic co-operation between India and Pakistan. This had 3relevant outcomes:

· expansion of Pakistan's positive list for trading with India

· opening of land route for trade in 2005

· amendments in the restrictive maritime protocol.

Apart from this, in 2008, as a part of confidence building measures, **LoC** trade was started in **Jammu and Kashmir**, providing trade as a feasible alternative to the people of the region.

After the fifth round of talks, Pakistan amended the positive list to a negative list in 2012 comprising of 1,209 items, implying that the negative list would be subsequently reduced and Pakistan would grant Most Favoured Nation (MFN) status to India. However, this development is yet to see the light of the day.

Improved **India-Pakistan trade** would benefit both countries in various sectors such as economic growth, access to larger markets, energy sector co-operation and promote overall regional stability. Formal bilateral trade has 10 times the potential for improvement if the informal trade is channelized through it.Both governments are likely to gain much in the energy sector too, with the stalled Turkmenistan-Afghanistan-Pakistan-India (TAPI) pipeline becoming operational to supply 33 billion cubic meters of gas to India and Pakistan for a 30-year period. This pipeline would help accelerate domestic economic development in both nations.

The way forward

After the cancellation of talks between the two countries foreign secretaries in August 2014, and then the cancellation of NSA talks, the way forward on the political front looks gloomy. However, trade, if delinked from the politics of the region, has significant potential for growth. For this, both states need to take significant measures:

· For India, it makes much more sense to include Pakistan in its search for new markets. Greater trade with Pakistanopens up opportunities for access to the markets of Central Asia. For Pakistan, it means access to the middle-class consumers in India for its products, creating a positive impact on Pakistan's economy. For this, both countries need to adopt a series of measures like Pakistan granting MFN status to India, reduction of non-tariff barriers along the borders, and a revised visa regime to allow Indian businessmen into Pakistan and vice-versa.

· An increase in bilateral trade means opening up of land borders for trade which will significantly lower the transaction cost for traders and the prices for consumers. This can be helpful in tackling poverty on both sides, and increase co-operation. The governments can earn more through customs revenue increasing the funds required for peripheral developments like infrastructure for trade.

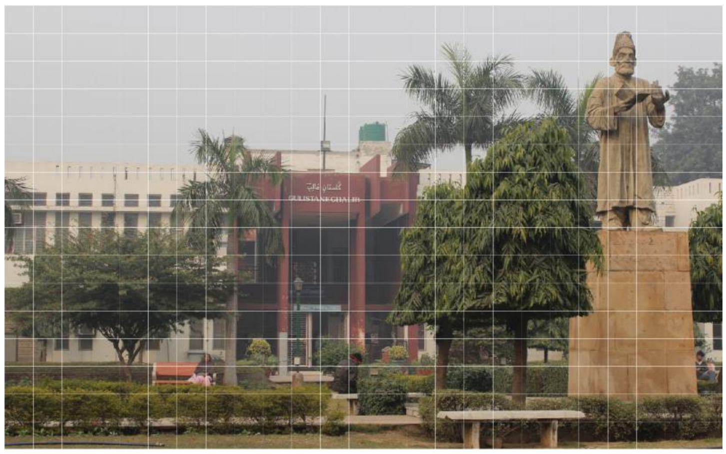
· Third, for trade to grow, there is no other alternative than economic dialogue. The 2004 composite dialogue, in its five rounds till 2012, led to a series of trade facilitation measures. There is a need for such dialogues to continue if trade between both countries is to be seen as a peace initiative.

Normalization of bilateral trade must be seen as a start of a series of peace building measures, especially along the bordering areas of both states which is the worst affected from the on-going conflict. Deep bilateral economic interests can act as a catalyst to mould public opinion through the media, equip moderate politicians with a stake in bettering relations with financial and political might to take on hard line elements in the security and army establishments on both sides, who gain from increased conflicts that require increased financial spending on arms, ammunition and operations. Of course terrorists will try to sabotage this by hitting it where it hurts the most and will attack trade/economic initiatives between India and Pakistan but investing in better security and counter–terror mechanisms, funded out of the growing prosperity, can offset that to a great extent. Also if a large part of the people in Pakistan Occupied Kashmir (PoK) or Pakistan find that their own jobs and incomes are substantially connected to economic centres in India, they would be less likely to turn a blind eye to anti-India activities.

History is full of examples of improved bilateral relations through trade in the form of European Union, ASEAN, India-China trade and US-China trade. Learning from these experiences and exploiting the huge market potential, India and Pakistan must allow trade and economics to do what the politicians have been unsuccessful at for so many decades- hammer out a long lasting peace.

DEPARTMENT OF ECONOMICS

The Department of Economics is one of the oldest Departments, established in 1971, under the Faculty of Social Sciences. The department is highly reputed and well-recognized in the country for its Programmes, viz., Ph.D., M.A., B.A (Hons), and BACA Programmes as it has always maintained high standards of the teaching-learning process. It has state-of-the-art Infrastructural support where all the computers of the Department have internet connectivity, a Smart Class Room – unique and only in the university, two other classrooms with AC facilities, and a Computer Laboratory well-equipped in terms of Hardwares and Softwares including application of Econometric Software's Like SPSS, E-views, STATA etc. The system is well-equipped in on-line support for learning and advancement in research.



The Department mentors its student through orientation programmes, advises on career progression and assisting in placement through a Faculty Member as a Coordinator of Placement. All these could be achieved as the Department has a Transformational Leadership at the helm – conducting business of the department, inspiring people formally and informallythrough Coordinators and Committees/ SubCommittees, involving everyone, using bottom-up approach, with effective communication skills, verbal and written, with due ethical practices, with technology-based innovative ideas such as Faculty Presentations, and introducing Lecture Series in the memory of ZakirHussain. Conferences, workshops and seminars are a regular phenomena on various aspects of the subject of Economics, including Environment protection and sustainable development.

The yearly activities of the Department of Economicsincludes:

- ***ANNUAL MAGAZINE*** **-**The magazine seeks to provide a platform to budding economists for the articulation and discussion of relevant concerns about the economic, social and political issues. It will be launched in the annual department fest – Ecocracy'16

- **International Conference** on " **Energy, Economy and Sustainable Development : Opportunities and Challenges "**

- **Alumni Meet 2016** organized by the Department of Economics

- **" Chat With A Diplomat "** – An interactive session with Mr. Douglas

Fowler, Economics Officer, Embassy of United States, New Delhi on **India – US ties : An Economic Perspective**

- **Special lecture on Research Methodology** organized by Department of Economics by Prof A.M. Khan, ICSSR, National Fellow, Centre for Jawaharlal Nehru Studies.

- **Workshop on R Econometric Software** organised by Department of Economics, JMI in collaboration with university placement cell

- **Lecture on Indian Economy : Perspective from the revised series** on National Accounts by Dr. T.C.A. Anant, Secretary and Chief Statistician of India, M/o Statistics and Programme Implementation, Govt. of India

- **Lecture on The Interplay of Economy and environment : A Multilateral Environmental** Perspective by Dr. R. Gopichandran, Director, Vigyan Prasar, DST, Govt. of India.

- **First A.M. Khwaja Memorial Lecture** by Hon. Mr. Justice A.M. Ahmadi, Former Chief Justice of India on **Imperitives of Our Valued Diversity.**

- **Lecture on New Perspectives on Free Trade Agreements** by Dr. Ram Upendra Das, Professor, Research and Information System for Developing Countries (RIS), New Delhi.

- **Power Point Presentation** by the students of Department of Economics on various economic, financial and socio economic issues**.** A platform to enhance their presentation skills and provide a stimulus to knowledge sharing.

- **A Group Discussion**was organized on various national and global economic issues. With the contribution of all the participants and support of the audience, the event was a big success.

- **Ecocracy 2016 –** The annual festival of Department of Economics was held on 8th and 9th March, 2016 in the university premises. It was a high profile event which attracted students in and across Delhi to compete on a big scale and showcase their talent.